

# Sony de mexico essay sample

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It was a hot, dry afternoon in Mexico's northern Sonora Desert and Rey was in a sour mood. Rey Uribe, the normally energetic and optimistic president of Sony de Mexico, had just received the news that Sony's Mexican operations were to be shut down in a cost-cutting move. Corporate had decided that to remain competitive, capacity should be shifted to Southeast Asia, where labor costs were a fraction of Mexico's fully burdened hourly labor rates of \$3.50. Of course, the news was not totally unexpected. Rey had been aware of the discussion that was taking place back in Japan, but he had hoped that the geographic proximity to the large and lucrative U. S. market would provide sufficient motivation to keep the Mexican operation running. Rey wondered whether there was anything that could be done to reverse the decision. Sony de Mexico had performed so well for so long, and Rey loved the people he worked with. There had to be a way to turn things around to change the destiny of Sony de Mexico. Could he find it?

The shared 2,000-mile border between the United States and Mexico had driven tremendous growth in the so-called maquiladora industry. The opportunity to use comparative advantage to achieve competitive advantage had not gone unnoticed by U. S. and other global companies. The huge U. S. consumer market was just across the border from an abundant source of high-quality, low-cost labor. And managing across the border was much easier than managing across an ocean. As a result, at its peak, approximately 3,000 maquiladora operations turned out everything from leather gloves to consumer electronics; from auto parts to semiconductors. Over 1.5 million people were employed and maquiladora operations were

the second leading source of foreign exchange behind oil. However, the maquiladora industry was under siege. The incredibly low-cost labor in China and throughout Southeast Asia was siphoning off foreign direct investment. In the past 12 months alone, more than 300,000 jobs had been lost. Rey and his colleagues had begun calling China the “Black Hole” because it was sucking up vast quantities of foreign manufacturing investment. The question everyone was asking was, “How on earth can anyone hope to win a battle against a black hole?”

While others scoffed at the idea that Sony de Mexico could survive, Rey felt there had to be a way. The proximity to customers in the United States had to provide some advantage that couldn't be undermined by labor costs. Unfortunately, like most maquilas, Sony de Mexico had long relied on its cost advantage and tariff exemptions for its competitive strength. This overreliance on cost had left Sony de Mexico without any differential advantage. As Rey and his top management team had pondered the possibility that Sony Corporate might move to shut down the Mexican operations, they had begun to look for a new advantage—a new justification for their existence.

To assist their quest for survival, Rey and his team had adopted the Six Sigma mantra of, “Forget what you think you know and let the data prove it to you.” Rey felt certain that the only viable solution would be found in the mind of the customer. Therefore, they had sought to listen to the voice of the customer and try to redesign the supply chain to overcome customer frustrations and meet customer needs. With this in mind, the team had

developed three core questions: “ Who is our customer?” “ What is important to them?” and “ How are they measuring our performance?”

So far they had identified a few salient facts: •Dealers were frustrated because they were having difficulty anticipating actual customer demand across Sony’s product line. The only way to make sure that the right product was in the store ready for sale was to carry large, expensive inventories.

•Despite proximity to the U. S. market, Sony de Mexico’s inventory equaled 60 days of sales. •The average lead time to dealers was approximately 8 weeks. •Sales forecasts from the dealers were notoriously inaccurate-to the point that managers throughout Sony de Mexico complained about the inefficiencies caused by poor forecast accuracy.

These facts led the team to realize that Sony de Mexico had done little to leverage its geographic presence. The 8-week lead time offered no advantage over Asian production. Would customers truly value shorter lead times and greater responsiveness? Rey was confident they would and that they would also appreciate the opportunity to reduce their inventory costs. Could the supply chain be redesigned to achieve results in these areas? Certainly, Asian operations couldn’t match a speed-based advantage that provided better integration with customers. Rey wondered if speed could make money and save Sony de Mexico.

### Case Questions

1. Is it possible to save Sony de Mexico? Or is Rey refusing to see the writing on the wall? 2. What does Rey need to do to determine whether a time-

based advantage is viable? 3. What changes would need to take place within Sony de Mexico?